Approved For Release 2007/05/08 : CIA-RDP83B00551R000200130028-4

23 October 1981

MEMORANDUM

SUBJECT: Soviet Economic Assistance to Vietnam [redacted] 25X1

The rise in Soviet aid toward the end of the decade (see Table) reflected these new agreements as well as other factors that increased pressures for more Soviet assistance--the break with China in 1978, the failure to attract needed investment and aid flows from non-Communist countries, the abysmal performance of the five-year development program, and Hanoi's adventurism in Cambodia. The Soviets promised $2.5 billion ($2.25 in loans and $250 million in grants) for the 1976-80 plan--almost all dedicated to project aid. Soviet commodity aid reportedly included grain, oil, and steel. According to Soviet officials, when Vietnam joined CEMA in 1978, CEMA (largely the USSR) took over the abandoned Chinese projects and began to provide preferential prices for Vietnam's major export products. [redacted] 25X1

In July, Vietnam and the USSR signed two agreements to govern aid during the 1981-5 Third Five-year Plan. In project aid, 40 new installations are to be undertaken; they presumably are additions to the projects uncompleted during the previous five years and carried over. The carry-over projects include a Black River hydroelectric plant in the vicinity of the Hoa Binh that will double Vietnam's generating capacity. (3.8 billion KWH were generated in 1980 in Vietnam.) Commodity trade between the two countries is to increase 90% during 1981-5 compared with the previous five years. [redacted] 25X1

Undoubtedly, the net effect of the two agreements will be an increased flow of commodity goods into Vietnam. The Soviet began several years ago to shift the focus of their aid from development to current support of the economy. In this way, they hold down annual outlays for Vietnam to less than $1 billion for economic aid and yet meet Hanoi's constant entreaties for more aid. [redacted] 25X1

We are less clear about the amount of Soviet economic assistance to Kampuchea and Laos. While much is channeled through Vietnam, Moscow is providing an increasing amount directly to Vientian and Phnom Penh. The USSR and Laos signed an economic agreement in September 1980 to expand trade 2-1/2 times over the next five years and to extend economic aid equivalent to $600 million. A Soviet-Kampuchean aid agreement is reportedly under negotiation. [redacted] 25X1

There is no hard information on East European aid to Vietnam for the 1981-5 period. Their aid to Vietnam for 1976-80 was originally pegged at about $710 million, practically all credits rather than grants. We expect that they have grown even less generous since then. [redacted] 25X1

25X1 [redacted]

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Table 4

USSR: Economic and Military Assistance to Indochina

(Million US $)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Economic aid[1]	196	157	218	271	229	305	291	335	572	417
Trade surplus[2]	131	87	143	196	154	225	196	225	457	297
Economic grants[3]	50	50	50	50	50	50	50	50	50	50
Technical services[4]	15	20	25	25	25	30	45	60	65	70
Military equipment deliveries	190	480	210	518	84	47	53	114	1,072	689
Vietnam	190	480	210	120	73	32	12	91	1,058	606
Laos and Kampuchea	—	—	--	398	11	15	41	23	14	83
Total economic and military aid	386	637	428	789	313	352	344	449	1,644	1,106

[1] Includes economic aid to Vietnam only. Does not include military aid, which was 200 million per year.

[2] From Soviet Foreign Trade Handbook; used as a rough estimate of economic aid, excluding grants and services.

[3] Based on proportion of grants in reported commitments.

[4] Minimum estimated value of Soviet technicians in Vietnam and training of Vietnamese in the USSR.

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